

- BC exports up for the third month in a row
- Per capita net debt of BC provincial and local governments falls to \$3,181 in 2001
- BC's architectural industry generated 27% of national fee income from foreign projects in 2001

## The Economy

- **The value of exports of BC products rose for the third consecutive month in February (+3.3%, seasonally adjusted).** Shipments of energy (+17.6%) and industrial and consumer products (+7.0%) were the main contributors to the increase. Exports of agriculture and fish (+2.1%) products also rose. Machinery, equipment and automotive (+0.1%) products were flat. Forest products, BC's main export commodity, continued to decline (-2.5%) in February.

The value of exports destined for US markets increased 3.3%, as energy exports jumped (+30.5%) to their highest level since May 2001. Exports of all other commodities in the US sagged in February. Forest products were down 4.3%. Exports to countries other than the United States (+3.2%) rose, but for quite opposite reasons. Energy exports declined (-17.8%) while increases were observed in all other categories.

Source: BC STATS

- **British Columbia's manufacturing shipments were down 1.0% (seasonally adjusted) in February from the previous month.** Reduced shipments of non-durable products (-3.2%) outweighed a moderate rise in durables (+0.6%). Substantial drops in paper (-6.2%) and food (-5.3%) shipments were the main factors for the decline on the non-durables side. Beverage and tobacco shipments (-2.2%) fell, and petroleum and coal (+2.7%) and chemical product (+4.5%) shipments rose. On the durables side, strong increases in the larger industries such as wood (+1.9%), fabricated metals (+5.7%), and machinery (+2.7%) were mitigated by a large drop in the transportation equipment industry (-12.8%).

Canadian manufacturing shipments declined (-0.9%) in February. Shipments were weak in most provinces although Quebec (+1.3%), Alberta (+2.1%), and Manitoba (+2.4%) saw increases.

Source: Statistics Canada

- **The number of new motor vehicles sold in BC and the territories rose 2.2% (seasonally adjusted) in February.** Across the country sales jumped 14.1%, rebounding from a low in January. There were double-digit turn-arounds in every province except BC (+2.2%). Newfoundland (+28.8%), Prince Edward Island (+28.0%) and Ontario (+19.2%) saw the largest increases.
- **Restaurant, caterer and tavern receipts in the province slipped 1.0% (seasonally adjusted) in February.** Consumers held back on their spending at food service establishments (-1.0%) and drinking places (-0.4%) during the month. Nationally, receipts were higher (+0.3%) than in January, as an increase at food service places (+0.4%) largely outweighed a drop in revenues at drinking places (-0.6%).

Source: Statistics Canada

Source: Statistics Canada & BC Stats

## Net Government Debt

- **The consolidated net debt of the provincial and local governments in the province was \$13.0 billion or \$3,181 per capita as of March 31, 2001.** This is a significant reduction (-9.7%) from March 31, 2000 when per capita debt was \$3,521. Across the country, per capita net debt ranged from a low of \$3,181 in BC to \$17,622 in Newfoundland. Quebec (\$13,894) and Nova Scotia (\$12,065) also had a substantially higher per capita net debt than in the rest of the country. Alberta (\$3,498), Northwest Territories (\$5,317) and Yukon (\$9,967) were the only regions with a

### Did you know...

On average, women in BC earn less than men in all but one high-paying occupation. According to the Census, female dentists earn 5% more per year than their male counterparts.

surplus. At the national level, the consolidated net debt of federal, provincial, territorial and local governments shrank 4.0% to \$797.1 billion. Per capita, the net debt was \$25,709, down from \$27,048 on March 31, 2000.

*Source: Statistics Canada*

### Architectural Services

- **BC's architectural services industry generated \$269 million in operating revenues in 2001, up 7.8% from 2000.** With the jump in revenues came an even larger increase in expenses. Total expenses in the industry climbed (+9.1%) to \$234.6 million and wages and salaries grew (+7.3%) to \$102.9 million. These factors helped reduce the average profit margin to 12.8%, down one percentage point from the previous year. There were 841 architectural establishments in the province in 2001, compared to 878 in 2000. Nationally, the industry revenues were \$1.5 billion (+7.9%) in 2001, with companies in Ontario accounting for almost half (48%) of the total. BC (17%) accounted for the second largest share, followed by Quebec (14%) and Alberta (12%). All provinces recorded increases in revenues except Saskatchewan (-9.5%) and Manitoba (-5.0%).

Fee income from foreign projects totalled less than \$50 million. Half of this amount was generated from the US and one-third from Europe. Ontario (67%) and BC (27%) accounted for almost the entire amount.

*Source: Statistics Canada*

### Tourism

- **Visitor entries to Canada through BC border crossings slipped in January, dropping 2.2% (seasonally adjusted) as visits from the US (-2.0%) and overseas (-3.5%) declined.** There were fewer same-day (-7.6%) and overnight (-1.2%) travellers from the US. Although there were more visitors from Europe (+0.6%), entries from Asia (-5.2%) dropped for the fourth straight month. After three months of increase, the number of visitors from the South Pacific (-18.4%) fell.

*Source: BC Stats*

### Mothers Staying Home

- **The median time at home for mothers with maternity or parental benefits in Canada increased from 6 months in 2000 to 10 months in 2001.** Amendments to the Employment Insurance Act in December 2000 increased parental leave benefits from 10 weeks to 35 weeks. The threshold for receiving these benefits was also lowered from 700 to 600 hours of insurable employment. As a result, the proportion of new mothers receiving maternity benefits increased from 54% in 2000 to 61% in 2001. In 2000, only 3% of new fathers claimed benefits whereas 10% made claims in 2001.

*Source: SC Catalogue 75-0001-XIE, Vol 4 No 3*

### Telecommunications

- **Operating profits of Canada's telecommunication service industries were up 10.9% in 2002, reaching \$4.9 billion.** The telecommunications service industry is comprised of the wireline and wireless industries. The wireless industry saw operating profits reach over \$1.1 billion, accounting for 23% of total profits. This is 19 times what they were in 2001 (\$0.06 billion), and the increase outweighed a 13.6% decline in the wireline industry. Operating revenues in telecommunications service industries inched up 0.7%. Revenues in the wireless industry jumped 14.9%, and fell 3.1% in the wireline industry.

*Source: Statistics Canada*

### The Nation

- **Revenues of incorporated businesses in Canada grew 3.8% in 2001, following a 13.3% gain in the previous year.** The utility industry posted the biggest increase (+25.1%) followed by building material, garden equipment and supplies dealers (+24.1%). Operating profits for Canadian enterprises fell 10.7% after rising 20.1% in 2000 to an all-time high of \$192.5 billion. The manufacturing sector (-31.5%) saw the largest decline in operating profits.

*Source: Statistics Canada*

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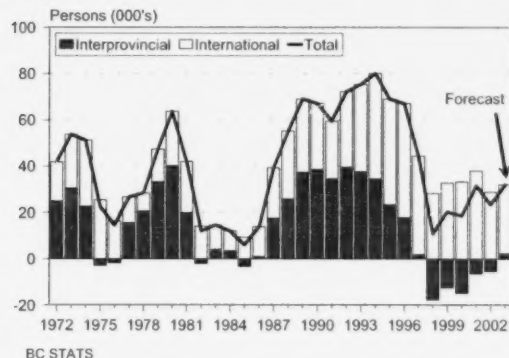
## B.C. Migration—Outlook for 2003

### Summary

*During 2003, the population of British Columbia is expected to increase by 31,900 persons due to migration from other provinces and other countries. This is stronger than the net inflows of the previous four years as a result of an improving outlook for interprovincial migration. During the course of 2003, the net outflows to other provinces are expected to become net inflows.*

### Net migration to B.C. is expected to recover partially in 2003.

Net Migration

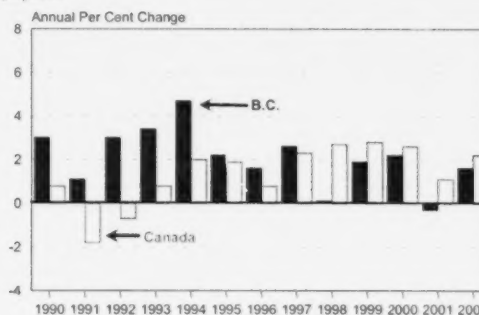


During the late 1980s and early 1990s, migration to British Columbia from the rest of Canada and the rest of the world exhibited large increases reaching a peak of 80,000 persons in 1994. The large inflows of population to B.C. strengthened total consumer spending and residential investment. This increase in economic activity, in turn, created jobs and income within the province. From 1990 to 1994, B.C. had the highest rate of job creation of any province in Canada, and from 1995 to 1997 B.C.'s employment growth continued to be above the national average. However, in the last five years employment growth in B.C. has been weaker than in the country as a whole. Last year Canadian employment growth increased by 2.2 percent. In B.C. there was a turn-around, from a decline in job growth in

2001 to an increase of 1.6 percent in 2002, even with the impact of U.S. punitive tariffs on the BC economy. The average 2002 B.C. unemployment rate increased by almost a percentage point to 8.6 percent, while the Canadian rate rose to 7.7 percent from 7.2.

### The number of jobs in B.C. increased in 2002.

Employment



Given the influence of population growth on labour markets and overall economic performance, it is important to examine what is in store for migration to British Columbia in 2003. Net migration to B.C. has been quite volatile over time. The record high net inflow during 1994 of 80,000 persons is in sharp contrast to the lows of 6,200 in 1985 and 10,700 in 1998. This volatility is one of the reasons why it is difficult to accurately predict migration. Most researchers would agree that the first step to forecasting migration is to isolate the factors that influence migration, then attempt to predict those factors. The task of isolating these factors is simplified by separating migration into the international and interprovincial components.

## International Migration

Net international migration to British Columbia is driven largely by federal government policy with respect to immigration. The federal government sets an overall annual immigration planning level for Canada. These planning levels are not intended to be rigid quotas and actual immigration may exceed or fall short of the planning level. In October 2002 the planning level was established for 2003 at 220,000–245,000 persons, 10,000 higher than in the previous year. However, the current unstable geo-political situation could have an impact on the implementation of these levels in the short term.

In June 2002 the new Immigration and Refugee Protection Act (IRPA) came into effect. Changes in immigration policy not only implemented new security measures—potentially slowing the processing of immigrant claims—but also brought regulations into effect that are more consistent with NAFTA rules. To encourage applicants that can more easily adapt to the Canadian workforce, the new criteria allow for the selection of workers who have a broader and more flexible range of skills than under the previous criteria. Education and knowledge of one or both of the official languages are now emphasized. It is now easier for business visitors and for spouses or common-law partners of foreign workers to work in Canada, and the study permit period exemptions for students in all types of fields of study have increased from three to six months.

In 2002, actual immigration fell within the range of planning levels. Although in the first half of the year immigration was nearly as high as in 2001, the numbers declined to below recent average levels in the latter half.

The planned immigration intake since 1990 is shown in the following table along with actual immigration to Canada and the B.C. share. The steady increase in immigration to Canada experienced since the mid-1980s levelled off to between

212,000–226,000 persons annually over the 1994–1997 period. Immigration to Canada in 1998 weakened as a result of events in Asia, but has picked up again in the last three years. The current forecast assumes that Canadian immigration will be near the high end of the 2003 planning range (240,000).

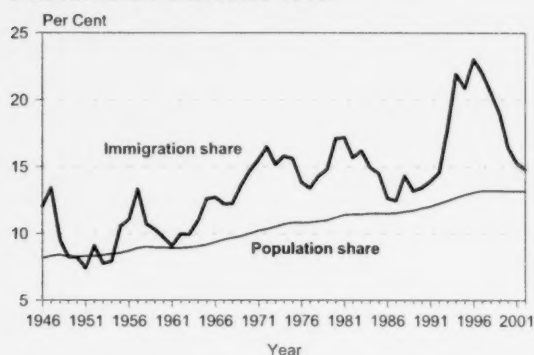
## Canadian Immigration

Year	Planning Level (000's)	Actual (000's)	B.C. Share (%)
1990	200	214	13.4
1991	220	231	13.9
1992	250	253	14.5
1993	250	256	17.9
1994	250	224	21.9
1995	190–215	212	20.9
1996	195–220	226	23.0
1997	195–220	216	22.0
1998	200–225	174	20.6
1999	200–225	190	19.0
2000	200–225	227	16.5
2001	200–225	250	15.3
2002	210–235	229	14.8
2003	220–245		

Starting in 1993, British Columbia experienced a significant increase in its share of immigrants coming to Canada. B.C.'s immigration share peaked in 1996 at 23 per cent and has been trending down since, reaching 14.8 per cent in 2002. Although the number of immigrants to BC was trending up between 1998 and 2001 (while the immigration share declined), in 2002 the number of immigrants declined to a level not seen since 1991.



**B.C.'s share of immigrants to Canada has been on a downward trend since 1996.**



BC STATS

It appears that B.C.'s higher share of immigration in the 1994 to 1997 period was partly a result of lower immigration to Quebec. Quebec, which is the only province to have responsibility for the selection of some classes of immigrants, dropped its share of immigration from 18 per cent in 1993 to around 13 per cent over the 1994 to 1997 period. The Quebec share has increased by 3.5 per cent since 1997. However, it was Ontario's share that changed dramatically in the last few years, increasing from 53 per cent in 1998 to 58 per cent in 2002.

It is likely that B.C.'s share of Canadian immigration in 2003 will be around the 15 percent mark. After accounting for changes in the other components of international migration such as emigration, net international migration to British Columbia in 2003 is expected to be 29,600 persons, up slightly from the 28,800 recorded in 2002.

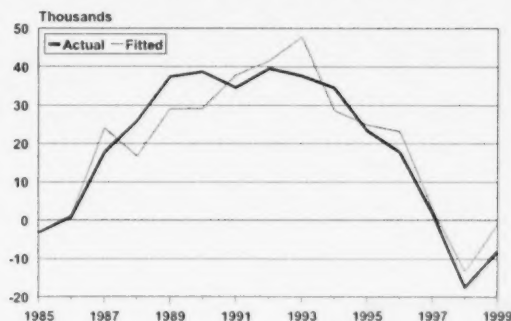
### Interprovincial Migration

Unlike international migration, interprovincial migration is not governed directly by government policy, but rather is influenced by a wide variety of economic, demographic, social and political factors. Many view interprovincial migration as a combination of "push" factors that pressure a migrant to seek better opportunities, and

"pull" factors that attract a migrant to a particular location. Consequently, movement between provinces under this Push-Pull hypothesis results from differences in economic and non-economic conditions in respective regions.

The factors that draw Canadians to British Columbia are both economic and non-economic in nature. Non-economic factors such as climate or life-style are slow to change. Hence, it is the economic factors, or more specifically the relative economic conditions between British Columbia and other parts of the country, that must be considered when predicting changes to net interprovincial migration. These factors can cause interprovincial migration to swing quickly from net inflows to net outflows and vice versa. Unlike international migration, which tends to change gradually as a result of the administrative requirements and cost of moving to another country, the decision to move to another province can happen relatively quickly and at a much lower cost, especially if the other province is in the same region of the country.

### Model of net interprovincial migration



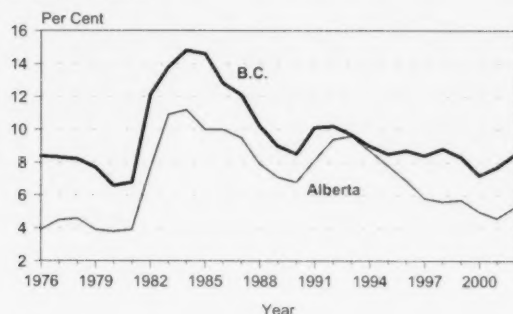
Statistical analysis indicates that over the past fifteen years, fluctuations in British Columbia net interprovincial migration have been correlated to a significant degree with relative differences in the British Columbia/ Alberta unemployment rates, as well as with differences in the growth of the British Columbia economy relative to the rest of Canada, as measured by real Gross Domestic

Product. The preceding chart shows that, these variables, when combined in a regression equation, can predict with reasonable accuracy the actual net interprovincial migration for B.C.

Many other economic factors likely play a role in influencing population movement (e.g. housing prices); however, in many instances empirical data on these factors are not available for a sufficient historical period to conduct statistical analysis. In addition, in order to forecast migration, consideration must be given to the practicality of forecasting the theorised determinants of migration. Both these constraints put limits on the number and type of variables considered as drivers of interprovincial migration. Consequently, the factors noted above do not uniquely describe inter-provincial migration flows, but rather are the ones that fit the criterion of statistically significant correlation with past migration flows, and have the potential to be forecast themselves.

## In 2002 the gap between unemployment rates in B.C. and Alberta widened.

Unemployment Rates



BC STATS

The levels of interprovincial migration from Alberta, Ontario and the rest of Canada are largely a reflection of the relative unemployment rates. Over the last twenty years, with the exception of 1993, B.C. has always had a higher unemployment rate than Alberta (2.6 percentage points on average), but for much of that period, B.C. has received population from Alberta. The exceptions were the mid-seventies and early eighties, when

the differential reached the 4 to 5 percentage point mark, and the last five years.

During the 1998 to 2002 period, the differences between the Alberta and B.C. unemployment rates were close to 3 percentage points. Where from 1993 through 1997 B.C. had a net migration of 17,700 persons from Alberta, between 1998 and 2002 the flow reversed and Alberta received a net number of 54,900 persons from B.C. This contributed to the large total net inter-provincial outflows totalling around 56,400 people between 1998 and 2002, with 5,300 people in 2002. Given the decrease in the net outflow in the last two years, it is anticipated that the outflow to Alberta will slow during 2003.

In the last five years overall economic growth in B.C., as measured by real GDP, has been much weaker than for the country as a whole. In 2002 the Canadian economy grew by 3.3 per cent, while economic indicators suggest that real GDP growth in this province could have been 1.9 per cent. Economic growth in Canada is expected to be slightly weaker in 2003 than 2002, while B.C.'s growth is expected to strengthen somewhat<sup>1</sup>. As a result, the inflow of people to B.C. from other parts of the country is expected to improve relative to 2002.

Given the above considerations, the net outflow of British Columbians to Alberta is expected to be partially offset by net inflows from the rest of the country, resulting in a projected net inter-provincial inflow of 2,300 persons in 2003, an improvement over the 2002 net outflow of 5,600 persons.

<sup>1</sup> Budget and Fiscal Plan 2003/04–2005/06, Ministry of Finance, Province of British Columbia, February 2003

### **Risks to the Forecast**

The main risk to the 2003 migration forecast is the interprovincial component. If the economic conditions in B.C. relative to the rest of Canada improve more slowly than anticipated, the return to a net inflow of population could be delayed.

Another uncertainty is the forecast of B.C.'s share of Canadian immigration. If the share is lower than expected or the level of immigration to Canada falls below the immigration plan, then the forecast of international migration to B.C. could be too optimistic. As previously noted, if international conditions are stressed due to the ongoing situation in the middle-east, total levels of immigration to Canada could vary considerably depending upon the reaction of the federal government.

However, if the U.S. economy grows more strongly in 2003 than is generally expected and Canadian economic growth continues, then this could have a positive effect on economic growth and job creation in B.C. The province would likely receive higher inflows of migrants from both other provinces and other countries.

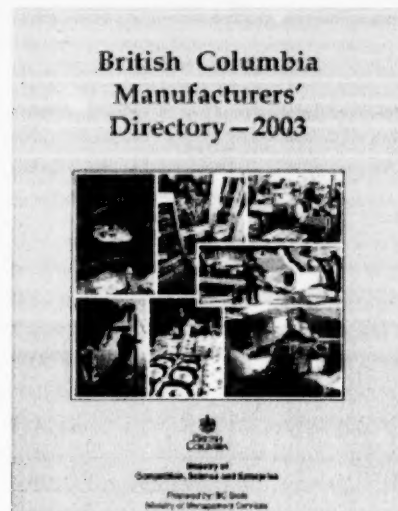
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BC at a glance . . .		
POPULATION (thousands)		% change on one year ago
	Jan 1/03	
BC	4,155.8	0.8
Canada	31,499.6	0.8
GDP and INCOME		% change on one year ago
(BC - at market prices)		2001 Revised
Gross Domestic Product (GDP) (\$ millions)	130,859	1.2
GDP (\$ 1997 millions)	123,912	-0.2
GDP (\$ 1997 per Capita)	30,252	-1.1
Personal Disposable Income (\$ 1997 per Capita)	19,513	1.2
TRADE (\$ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Feb	2,860	-1.0
Merchandise Exports - Feb	2,592	3.3
Retail Sales - Jan	3,440	2.1
CONSUMER PRICE INDEX		12-month avg % change
(all items - 1992=100)		Feb '03
BC	119.6	2.6
Canada	122.3	2.8
LABOUR FORCE (thousands)		% change on prev. month
(seasonally adjusted)		Mar '03
Labour Force - BC	2,188	0.3
Employed - BC	2,020	0.9
Unemployed - BC	168	-5.7
		Feb '03
Unemployment Rate - BC (percent)	7.7	8.2
Unemployment Rate - Canada (percent)	7.3	7.4
INTEREST RATES (percent)		Apr 16/03 Apr 17/02
Prime Business Rate	5.00	4.00
Conventional Mortgages - 1 year	5.35	5.30
- 5 year	6.75	7.30
US/CANADA EXCHANGE RATE		Apr 16/03 Apr 17/02
(avg. noon spot rate) Cdn \$	1.4562	1.5743
US \$ (reciprocal of the closing rate)	0.6877	0.6350
AVERAGE WEEKLY WAGE RATE		% change on one year ago
(industrial aggregate - dollars)		Mar '03
BC	682.00	2.8
Canada	658.12	1.6
<b>SOURCES:</b>		
Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada		
Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics		
For latest Weekly Financial Statistics see <a href="http://www.bankofcanada.ca">www.bankofcanada.ca</a>		

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